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Chief Executive Officer

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March 19, 2008

To: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

**WASHINGTON, D.C. UPDATE**

**Federal Fiscal Year (FFY) 2009 Budget Resolution**

Last week, before leaving for their Easter recess, the House and Senate passed their respective Federal Fiscal Year (FFY) 2009 budget resolutions, which set non-binding spending and revenue targets to guide Congressional action on fiscal legislation. Both versions (H. Con. Res. 312/S. Con. Res. 70) have higher spending and revenue levels than the President's Proposed FFY 2009 Budget. The House set an overall discretionary spending cap of \$1.014 trillion for the 12 FFY 2009 appropriations bills, which exceeds the President's budget request by \$25.4 billion. The Senate version exceeds it by \$21.8 billion. Neither version assumes the major reductions in mandatory (entitlement) spending, such as Medicare and Medicaid, proposed by the President. Both houses rejected floor amendments to impose a one-year moratorium on earmarks. The margin of defeat was 157 to 263 in the House and 29 to 71 in the Senate where Senators Clinton, McCain, and Obama all voted in favor of the moratorium.

The biggest difference between the two budget resolutions is that the House, but not Senate, version directs the House Ways and Means Committee to report two budget "reconciliation" bills – one which would reduce mandatory spending by \$750 million over five years. The other reconciliation bill would provide \$70 billion in one-year relief from

the alternative minimum tax (AMT), which would require offsetting revenue increases to comply with "pay-as-you go" budget rules. The Senate version does not include any reconciliation instructions to reduce mandatory spending. While the Senate budget resolution includes \$62 billion for one-year AMT relief, it also assumes that no offset would be required for such relief.

"Reconciliation" is important because, under Senate rules, a reconciliation bill cannot be subject to a filibuster, which requires 60 votes to overcome. This means that, unlike other legislation, Senate Democrats can pass a budget reconciliation bill on a simple majority vote without any Republican support. The spending reconciliation bill is viewed to be a potential vehicle for blocking a 10.6 percent reduction in Medicare physician payments, which, otherwise, would take effect on July 1, 2008. Such a bill also could be a potential vehicle for imposing a moratorium on pending Medicaid regulations which would reduce Federal Medicaid payments to the County. However, even if Congress were to pass a budget reconciliation bill which includes a moratorium on Medicaid regulations, it is likely that the President would veto such a bill, and a two-thirds majority in both house would be required to override the veto.

After Congress reconvenes from its Easter recess on March 31, 2008, work will begin on reconciling the differences between the House and Senate versions of the FFY 2009 Budget Resolution. Following Congressional passage of the budget resolution, appropriators can begin work on the 12 appropriations bills, which set FFY 2009 funding levels for individual discretionary programs. As reported previously, it is expected that the FFY 2009 Budget will not be finalized until after the November elections due to the major differences between the Bush Administration and Democrat-controlled Congress on budget issues. It also is possible that completion of the FFY 2009 Budget will be left to the next Administration and Congress, especially if a Democrat wins the Presidency in November.

We will continue to keep you advised.

WTF:GK  
MAL:MT:hg

c: All Department Heads  
Legislative Strategist